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South Africa, Republic of

Wine

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Report Highlights:

South Africa's 2004 wine production is expected to reach a total of about 1.250 million MT. Wine production, which include juice concentrates for non-alcoholic purposes, rebate and distilling wine, is expected at 9.647 million HL at an average recovery of about 7.72 HL for every one metric ton of grapes.

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Executive Summary

South Africa's 2004 wine grape production is expected to reach about 1.250 million MT because of average weather conditions in the Western Cape during December and January. Wine production, which include juice and concentrate for non-alcoholic purposes, rebate and distilling wine, are expected at 9.647 million HL at an average recovery of about 7.72 HL per ton of grapes. The 2004 season is expected to have an average production because of weather conditions in the Western Cape during December and January. Expectations are for an increase in red wine production, attributable to the increase in area harvested.

South Africa's 2004 exports for natural wine are expected to grow by 6.4% compared to last year. One of South Africa's largest wine and spirits exporters, wines of South Africa (WOSA), expects to sell more of its export –quality wines in the domestic markets because of a likely worldwide structural over-supply.

South Africa's wine industry will host a Cape Wine Trade show from the 30th March until the 2nd of April 2004. The show is a biennial event that is likely to attract about 1,000 international wine buyers.

Production

The 2004 season is expected to have an average production because of weather conditions in the Western Cape during December and January.

In Stellenbosch, the vintage crop is expected to increase by 5% from last year, because of ideal temperatures and enough late rains (August-September). The season has also been disease-free. The cold spells during winter led to good flowering and fruit-bearing stage of the vines. In January this year, the Chardonnay berries were already at pea-size.

An average wine crop for Stellenbosch areas is estimated at about 98,000 MT annually. Stellenbosch 'Wine-of-Origin' region consists of more than 300 cellars and growers, with an average annual wine crop of about 98,000 MT. Harvesting season in this area began at the end of January 2004.

South Africa's 2004 wine grape production is expected to reach a total of about 1.250 million MT. Wine production, which includes juice and concentrate for non-alcoholic purposes, rebate and distilling wine, are expected at 9.6 million HL at an average recovery of about 7.72 HL per ton of grapes.

In Orange River areas, more table grapes, which were initially destined for fresh markets, will be sent for wine processing because of negative impacts resulting from heavy rains during first week of January. All other areas also show increased potential.

Expectations are for an increase in red wine production, attributable to the increase in area harvested.

TABLE FOR EXPECTED 2004 GRAPE AND WINE CROP

DISTRICT	GRAPE PRODUCTION IN MT		
	2002	2003*	2004*
Orange River	173,420	144,491	159,899
Olifants River	165,603	209,350	188,415
Malmesbury	80,026	109,224	98,302
Little Karoo	42,020	42,306	44,633
Paarl	105,287	144,808	137,568
Robertson	165,304	176,489	185,300
Stellenbosch	76,999	114,695	124,200
Worcester	271,216	297,001	311,851
Total Grape Prodn	1,079,875	1,238,364	1,250,168
HL/MT grapes	7.72	7.72	7.72
Wine Prodn (mil. HL)	8.342	9.556	9.647

Source: SAWIS

*Industry Estimates

Production Subcategory

South Africa, Republic of Wine							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
TOTAL Grape Crush	1210	1238	1200	1250	0	1260	(1000 MT)
Begin Stock (Ctrl App)	0	0	0	0	0	0	(1000 HL)
Begin Stock (Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Beginning Stocks	2220	2220	2530	3530	2600	3670	(1000 HL)
Prod. from Wine Grapes	6700	6956	6400	6640	0	6900	(1000 HL)
Prod. from Tabl Grapes	2600	2600	2600	3000	0	2800	(1000 HL)
TOTAL PRODUCTION	9300	9556	9000	9640	0	9700	(1000 HL)
Intra-EU Imports	310	0	320	0	0	0	(1000 HL)
Other Imports	0	434	0	450	0	450	(1000 HL)
TOTAL Imports	310	434	320	450	0	450	(1000 HL)
TOTAL SUPPLY	11830	12210	11850	13620	2600	13820	(1000 HL)
Intra-EU Exports	1840	0	2200	0	0	0	(1000 HL)
Other Exports	320	3580	330	3810	0	3140	(1000 HL)
TOTAL Exports	2160	3580	2530	3810	0	3140	(1000 HL)
Dom.Consump(Cntrl App)	7140	5100	6720	6140	0	6900	(1000 HL)
Dom.Consump(Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Dom.Consumption	7140	5100	6720	6140	0	6900	(1000 HL)
End Stocks (Cntrl App)	2530	3530	2600	3670	0	3780	(1000 HL)
End Stocks (Other)	0	0	0	0	0	0	(1000 HL)
TOTAL Ending Stocks	2530	3530	2600	3670	0	3780	(1000 HL)
TOTAL DISTRIBUTION	11830	12210	11850	13620	0	13820	(1000 HL)

Consumption

South Africa's 2004 domestic sales of natural wine are expected to increase by about 20% compared to the same period last year.

Consumption Subcategory

None

Trade

South Africa's 2004 exports of natural wine are expected to grow by 6.3% compared to last year. In the same period, Brandy exports decreased by 0.6%.

Reports are U.S. wine markets may end up with a glut of California wine, which will drastically reduce imports. France, Italy and Chile also increased their exports to the States. This may result in a decline of South Africa's total wine exports to the United States.

Trade Subcategory

One of South Africa's largest wine and spirits exporters, wines of South Africa (WOSA), expects to sell more of its export –quality wines in the domestic markets in 2004 because of a likely worldwide structural over-supply. Bulk wine for export is considered to be expensive because of the stronger value of the Rand.

South Africa, Republic of Wine			
	Jan-Dec		HL
Imports for:	2002		2003
U.S.	1	U.S.	227
Others		Others	
Argentina	313,042	Argentina	422,932
Spain	10,275	Italy	3,068
U.K.	1,467	France	1,864
France	3,488	Belgium	442
Portugal	6,011	Spain	380
New Zealand	41	Zimbabwe	241
Australia	278		
Italy	3,799		
Total for Others	338401		428927
Others not Listed	2,094		5,311
Grand Total	340495		434238

Note: The 2003 data on the table is for a period from January to November 2003.

The improvement in the value of the Rand benefited the U.S. wine exporters tremendously, as indicated by the import figures increasing more than two hundred percentage in the first 11 months of 2003, compared to the previous year. Argentina also gained momentum, with a massive growth increase of around 380% during the same period, from CY 2001.

South Africa, Republic of Wine			
	Jan-Dec		HL
Exports for:	2002		2003
U.S.	92,831	U.S.	95,093
Others		Others	
U.K.	1,644,121	U.K.	1,555,989
Netherlands	329,009	Netherlands	646,274
New Zealand	60,539	France	376,591
Germany	265,152	Germany	280,725
Belgium	87,346	Sweden	150,097
Switzerland	55,278	Belgium	117,574
Denmark	127,804		
Canada	122,088		
France	77,998		
Zimbabwe	24,528		
Total for Others	2793863		3127250
Others not Listed	771,600		358,000
Grand Total	3658294		3580343

Note: The 2003 data on the table is for a period from January to November 2003.

Stocks

South Africa's stock levels for wine at co-operatives and cellars are expected to rise to 3.6 million HL on 31 December 2004 compared to 3.5 million HL of last year.

Stocks Subcategory

None

Policy

South Africa's wine industry operates under a free market system. Buyers and exporters deal directly with the vineyards. Buyers can also buy on-line at www.cybercider.co.za

Policy Subcategory

South Africa's 2004 budget resulted in an immediate increase in specific Excise Duties (sin taxes) for tobacco and alcoholic beverages. As of February this year, alcoholic beverages are expected to increase by 30,7% for natural unfortified wine, 28% for sparkling wine, and 16% for fortified wine. The excise duty will also increase by 13.5% on spirits, beer by 9% and alcoholic fruit beverages by 7.1%.

Marketing

In March this year, the wine industry will be hosting a Cape Wine trade show from the 30th March until the 2nd of April 2004. The show is a biennial event that is expected to attract about 1,000 international wine buyers.

Marketing Subcategory

A break-through in the wine industry history is KWV's (one of South Africa's largest wine and spirits group) expected sale of about 25% of its shares to an empowerment consortium, and the domestic selling of its wine by June 2004. Initially, KWV was bound by its agreement with Stellenbosch Farmers Wineries and Distillers Corporation to sell only to the export market. This is a positive contribution of a merger between Stellenbosch Farmers winery and Distillers corporation to form Distell. The group also established two directorship positions on its Board for empowerment appointments.